

EXHIBIT 1

INTRODUCTION

Respondent American Agents Alliance Political Action Committee (“AAA-PAC”) is a recipient committee formed by American Agents Alliance, a trade association comprised of auto-insurance brokers. AAA-PAC was formed in 2000 to raise funds for political contributions and lobbying expenditures. From January 1, 2001 to December 31, 2004, AAA-PAC received approximately \$956,033 in contributions from its members and made approximately \$19,004.53 in expenditures.

The Political Reform Act (the “Act”)¹ requires recipient committees to file campaign statements at specific times, disclosing information regarding contributions received and expenditures made by the committee. The Act also requires recipient committees to file statement of organizations. In this matter, Respondent failed to timely file semi-annual campaign statements for the years 2001, 2002, 2003, and 2004. Respondent also failed to timely file a statement of organization once it qualified as a recipient committee.

For the purposes of this stipulation, Respondent’s violation of the Political Reform Act are stated as follows:

- COUNT 1:** Respondent AAA-PAC failed to timely file a statement of organization from February 20, 2000 to April 7, 2005 in continuous violation of section 84101, subdivision (a) of the Government Code.
- COUNT 2:** Respondent AAA-PAC failed to file a semi-annual campaign statement for the reporting period July 1, 2001 through December 30, 2001, by the January 31, 2002 due date, in violation of section 84200, subdivision (a) of the Government Code.
- COUNT 3:** Respondent AAA-PAC failed to file a semi-annual campaign statement for the reporting period July 1, 2002 through December 30, 2002, by the January 31, 2003 due date, in violation of section 84200, subdivision (a) of the Government Code.
- COUNT 4:** Respondent AAA-PAC failed to file a semi-annual campaign statement for the reporting period January 1, 2003 through June 30, 2003, by the July 31, 2003 due date, in violation of section 84200, subdivision (a) of the Government Code.

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code unless otherwise indicated. The regulations of the Fair Political Practices Commission appear at California Code of Regulations, Title 2, sections 18109-18996. All regulatory references are to Title 2 of the California Code of Regulations.

COUNT 5: Respondent AAA-PAC failed to file a semi-annual campaign statement for the reporting period January 1, 2004 through June 30, 2004, by the July 31, 2004 due date, in violation of section 84200, subdivision (a) of the Government Code.

SUMMARY OF THE LAW

Failure to Timely File a Statement of Organization

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns be fully and truthfully disclosed, in order for voters to be fully informed, and improper practices inhibited. To that end, the Act sets forth a comprehensive campaign reporting system.

One feature of the system, found at Section 84101, subdivision (a), is that once a campaign committee qualifies as a “committee,” as set forth in Section 82013, subdivision (a), it must file a statement of organization within 10 days. Section 82013, subdivision (a) includes within the definition of “committee” any person or combination of persons who receives contributions of \$1,000 or more during a calendar year. This type of committee is commonly referred to as a “recipient committee.” As such, a recipient committee must file a statement of organization within 10 days after it receives any contribution that brings the total amount of the contributions that it has received to \$1,000 or more. Under Regulation 18421.1, subdivision (c), a committee “receives” a monetary contribution on the date that the committee, or the committee’s agent, obtains possession or control of the check or other negotiable instrument by which the contribution is made.

Section 84101, subdivision (a) requires all recipient committees to file the original of the committee’s statement of organization with the office of the Secretary of State and to file a copy of the statement of organization with the local filing officer. Section 84102, subdivision (a) requires all recipient committees to include the name, street address, and telephone number of the committee on the statement of organization, and subdivision (c) requires the name, street address, and telephone number of the committee’s secretary be included on the statement of organization.

Failure to Timely File Semi-Annual Campaign Statements

Section 84200 requires recipient committees to file two semi-annual campaign statements each year. The first semi-annual campaign statement covers the reporting period January 1 to June 30, and must be filed by July 31. The second semi-annual campaign statement covers the reporting period July 1 to December 31, and must be filed by January 31 of the following year.

SUMMARY OF THE FACTS

American Agents Alliance (“AAA”), is a non-profit, tax exempt trade association made up of auto-insurance brokers. In 2000 AAA’s then-existing management solicited its members to raise capital for a fund that would be used to make political contributions and other expenditures, including lobbying expenditures. The fund made monetary political contributions in 2001, 2002, 2003, and 2004. From 2000 to 2004, AAA’s then-existing management did not register the fund as a political committee or file necessary recipient committee campaign statements with the Secretary of State.

AAA's management changed in 2004. The new management sought advice to determine whether or not AAA's political fund should have registered as a committee and filed campaign statements. After a review of their political activity since 2000, AAA's new management discovered the law required their fund be registered as a committee and past-due campaign reporting statements be filed.

In April 2005, AAA filed a registration statement for its fund, entitled AAA-PAC on the statement, and filed annual campaign statements for the calendar years 2000-2004. The registration statement identifies AAA as the sponsor of Respondent AAA-PAC. The registration and campaign statements identify Mr. Brandon N. Braly as Respondent AAA-PAC's treasurer².

Respondent AAA-PAC's statements reveal that from 2001 through 2004, Respondent AAA-PAC made \$19,004.53 in expenditures. In regards to the campaign reporting periods relevant to this matter, Respondent AAA-PAC's statements show it expended \$5,700 in September, 2001. Respondent AAA-PAC's annual statement for 2002 shows it made \$2,500 in campaign expenditures during September and October of 2002. Regarding the 2003 campaign year, Respondent AAA-PAC's annual statement shows expenditures of \$6,500 that the committee made between February and May of 2003. For the 2004 campaign year, Respondent AAA-PAC's annual statement shows expenditures of \$2,250 the committee made between April and May of 2004.

Under Section 84200, subdivision (a), Respondent AAA-PAC had a duty to timely file semi-annual campaign statements. Respondent AAA-PAC violated Section 84200, subdivision (a) by not timely filing semi-annual statements for reporting periods July 1, 2001 through December 30, 2001; July 1, 2002 through December 30, 2002; January 1, 2003 through June 30, 2003; and January 1, 2004 through June 30, 2004.

CONCLUSION

This matter consists of 5 counts of violating the Act, which carry a maximum administrative penalty of Five Thousand Dollars (\$5,000) per count for a total of Twenty-Five Thousand Dollars (\$25,000)

In determining the appropriate penalty for a particular violation of the Act, the Commission considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis on serving the purposes and intent of the Act. Additionally, the Commission considers the facts and circumstances of the violation in context of the factors set forth in Regulation 18361.5, subdivision (d)(1)-(6): the seriousness of the violations; the presence or lack of intent to deceive the voting public; whether the violation was deliberate, negligent, or inadvertent; whether the Respondent demonstrated good faith in consulting with Commission staff; whether there was a pattern of violations; and whether the Respondent upon learning of the violations voluntarily filed appropriate amendments to provide full disclosure

2 Mr. Braly is part of AAA's new management and had no part in the failure or omission of AAA's former management to register and file campaign statements for Respondent AAA-PAC. For this reason, FPPC Enforcement Staff does not charge Mr. Braly in this matter.

Regarding Count 1, the typical administrative penalty for not timely filing a statement of organization has been in the middle of the penalty range. Accordingly, an administrative penalty in the amount of two thousand dollars (\$2,000) is appropriate for the violation.

Regarding Counts 2 through 5, the typical administrative penalty for not timely filing semi-annual campaign statements has been in the low-to-mid end of the penalty range. Accordingly, an administrative penalty in the amount of two thousand dollars (\$2,000) is appropriate for each violation.

In mitigation, Respondent AAA-PAC's current management has taken steps to remedy the violations that occurred under Respondent's former management. Specifically, Respondent's current management has: voluntarily filed campaign statements which fully disclose the committee's receipts and expenditures; enlisted professional services to prepare future campaign services; and self-reported this matter by bringing the non-filing issues directly to the Commission.

Accordingly facts of this case justify an imposition of an administrative penalty of \$10,000